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LETTER DATED 1 NOVEMBER 1999 FROM THE SECRETARY-GENERAL ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit to you herewith a letter dated 1 November 1999 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring the present letter to the attention of the members of the Security Council.

(Signed) Kofi A. ANNAN

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Annex

Letter dated 1 November 1999 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the fifteenth report on the activities of the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see enclosure). I would appreciate your making the report available to the members of the Security Council.

(Signed) Wolfgang PETRITSCH

Enclosure

Report by the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General

End of June-middle of October 1999

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present the fifteenth report to the Council.

The report covers the activities of the Office of the High Representative and developments in Bosnia and Herzegovina during the period from the end of June to the middle of October 1999.

SUMMARY

1. PIC Steering Board Ministers endorsed the strategic concept of "ownership", whereby the citizens of BiH should become increasingly responsible for their own affairs. OHR's budget for 2000 was approved, incorporating a limited but significant reduction.

2. Common institutions functioned well in preparation for the Stability Pact Summit; otherwise, effective cooperation has been sporadic. The representatives of the three constituent peoples tended to promote primarily the aims of their own groups. There was progress, nonetheless, on common identity, a common state border service, and a multi-ethnic Interpol office.

3. The RS government remained basically stable, and received budget support from the international community. Two political parties (the SRS and SSRS) failed to meet requirements set by the OSCE and endorsed by OHR in order to qualify for the municipal election in 2000: they have threatened to contest their disqualification.

4. The situation in the Federation remained difficult. There was instability in Drvar, causing OHR and OSCE to decertify the municipal election; and Mostar remains in serious deadlock. There are difficulties in education, with minorities being denied their schooling rights, although there has been some success in developing a co-ordinated curriculum, and in removing objectionable material from textbooks.

5. A draft Electoral Law was finalized by OSCE, OHR and national experts; it is ready for submission to parliament. The law is designed to encourage transparency, accountability and moderation. There was a little progress on human rights, the rule of law, and judicial reform. Federation prosecutors were given more powers to act against serious crime.

6. A new border crossing near Dubrovnik was opened between BiH and Croatia, and the two countries signed a Border Treaty, as well as a Special Relations Agreement. The use of the convertible mark (KM) increased throughout BiH. The Federation and the RS finally complied with the BiH Customs Tariff Law. The IBRD's strategy shifted from reconstruction to sustainable recovery. In the Federation, controversial laws on Labour, Job Placement and Social Security were passed. Preparations for the elimination of Payment Bureaux by end 2000 are on track. Allegations of widespread corruption raised a political storm in the Federation. The fight against corruption is a top priority for OHR.

7. Minority returns throughout BiH were significantly more numerous than twelve months previously, and took place under much improved security conditions. But resistance to returns, and donor fatigue, hampered progress. Implementation of property legislation remains the key to urban returns. Returns elsewhere in the Balkans and the repatriation of Croatian Serbs to Croatia, remain important goals.

8. My predecessor issued a Decision on restructuring the public broadcasting system,

to bring it into line with Dayton and international standards. It also requires the Croatian HRT to put its BiH operation on a legal footing. A Decision to promote freedom of information, and legitimate journalistic enquiry, was also issued. The very first Decision I imposed as High Representative seeks to ensure that publicly-funded broadcasting in the RS is free from political bias or interference.

9. The Standing Committee on Military Matters has made slow but visible progress. De-mining has continued steadily, but completion will take some 30 years at the present rate. Agreement was reached on the need for the normalisation of BiH airspace; the Civil Aviation Law was implemented; and control of Mostar airport was passed to the local authorities.

CO-ORDINATION OF CIVILIAN IMPLEMENTATION

10. Peace Implementation Council: The Steering Board of the Peace Implementation Council continued to meet regularly at the level of Political Directors. Meetings of note were a September 17 session in Brussels where I outlined my overall strategy for my term as High Representative, and an October 20 meeting in Sarajevo where the Political Directors approved to the new draft election law.

11. I met with PIC Steering Board Ministers in New York on September 22. As in Brussels a few days earlier, the Ministers also endorsed my strategic concept of "ownership" for Bosnia and Herzegovina (BiH). Both Political Directors and Ministers expressed concern with the situation surrounding forthcoming elections in Croatia.

12. In Sarajevo, I continue to meet weekly with Steering Board Ambassadors. I also chair meetings once or twice a week with the principals of the major international agencies resident in BiH. My staff has worked hard to give these meetings particular focus and purpose, and they are developing into useful policy and information sessions.

13. Of equal importance, I have insisted that the Office of the High Representative develop and finalize its budget for the year 2000 in a timely manner. This we have done, and the budget was approved in principle by Steering Board financial experts in Brussels on October 21. Our budget offered a modest decline in funding; the Steering Board cut yet a bit more. We shall make do with what we receive.

COMMON INSTITUTIONS

14. Common state institutions continued to meet regularly. Of particular note was the excellent co-ordination by all elements of the common institutions in the time period leading up to, and then during, the July 29 Stability Pact Summit in Sarajevo. Co-operation across a wide field of political, logistical and security issues was marked, and much commented upon.

15. Unfortunately, this spirit of co-operation has not lasted. Important decisions in both the Council of Ministers and the Parliamentary Assembly continue to require the constant application of pressure from the international community. A key problem remains the attitude of Serb members of common institutions who continue to vote on instruction from the Republika Serpska (RS) government or the RS National Assembly. This is a fundamental weakness, for such voting and such instruction undermine the very concept of a unitary sovereign state.

16. The work of the Presidency has constructive elements, and the rotation of the function is working smoothly. Ante Jelavic, the Croat member, assumed the rotating function on June 15, and the Presidency quickly reached agreement on a number of important areas, including reorganization of the Diplomatic and Consular Services of BiH, appointment of new Ambassadors, a commitment to establishing the state Border Service, and a reduction of the military budget. There has been little or no progress in other areas, however, including the highly-publicized "Tripartite Initiative" on returns where follow-up has been scarce.

17. The Presidency sessions in October were made somewhat tense when the Serb member, Zivko Radisic, invoked for the first time the "vital interest" clause of the constitution of BiH. Radisic did this clause because of the extant genocide suit brought by the former Republic of BiH against the Former Republic of Yugoslavia and, by implication, also against the pre-Dayton (and internationally unrecognized) Republika Srpska. Radisic followed through this invocation by convening the RS National Assembly and having it approve his action, which it did by the necessary margin. Nonetheless, Radisic's action remains the focus of much legal interpretation, which is ongoing. The political effect was to make relations within the Presidency more strained. Nevertheless, as a sign of growing institutional maturity, the Presidency continued to carry out its planned joint activities, including a joint trip to Germany at the end of October.

18. The Parliamentary Assembly continued to make marginal improvements in its work. The fundamental obstacle to improved efficiency is political. All Serb delegates, whether from the SLOGA coalition or the more nationalist parties like the SDS and the SRS, continued to vote as a bloc against legislation that empowers state institutions. This fundamental problem can only be solved at the political level.

19. The various committees of the Assembly are meeting more regularly, but improvement is needed here as well. The adoption of permanent rules of procedure must remain a priority for the Assembly. A draft has been prepared; it needs to be debated and adopted by the end of 1999.

20. The Council of Ministers continues to meet regularly, although its effectiveness is hampered by the lack of an agreed work plan for the rest of the year. Of immediate concern is a recent ruling by the Constitutional Court of BiH that the current system within the Council of Ministers that established a co-chair and vice-chair is unconstitutional. This decision has brought a great deal of uncertainty to the work of

the Council of Ministers; nonetheless, the court imposed a three-month deadline to bring the organization of the council into line with the constitution. While the short term – roughly, until the end of November 1999 – will witness confusion, the long-term effect is likely to be positive. A state institution, the Constitutional Court, has made a ruling affecting another state institution, and the situation will be resolved by national actors instead of the international community. This is a welcome development.

21. We are making progress in areas of common identity and the establishment of a common state border service as well as a multi-ethnic Interpol office. We continue to work closely with RS, Federation and canton ministers of interior on a common driving licence that meets EU standards. As part of this approach, we are working with the ministries to harmonize their law enforcement data. We have also worked closely with Interpol to establish a counterpart office at the state level that meets Interpol requirements. We also expect that a critical element of a sovereign state – a functioning border service – will be in place by the end of the year. The work on this service has been especially intense, and follows a late June commitment by the Presidency to proceed.

FEDERATION ISSUES

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22. The overall situation in the Federation remains difficult and complicated. Its cantonal structure gives considerable power and authority to local officials, making implementation of the Dayton/Paris Peace Accords a very diffuse process.

23. There was a public relations storm over allegations in the August 17 edition of the New York Times of widespread corruption in BiH. The article was quite detailed, wrong on certain specific items, but generally correct in claiming that corruption is indeed a major problem in BiH. The Bosniak leaders claimed to believe that the article was directed at them and them alone, and there is still much discussion about whether or not a law suit will be brought against the New York Times by the SDA or its individual leaders. Despite the political turmoil he piece engendered, it has in fact done much to focus the political leaders on the need for concerted action.

24. The Federation House of Peoples often finds its work delayed by the inability of the Bosniak and Croat representatives to work together. An example is the slow progress being made on the annexes to the Special Relations Agreement between the Federation and the Republic of Croatia. Since the approval of the Agreement in May 1999, only the annexes on co-operation in science and technology, and tourism, have been approved.

25. The overall security situation in the Federation remained stable, albeit with occasional incidents. On October 13, General Zlatan Jelic, commander of the First Croat Guard Corps, was suspended from duty by the commander of SFOR for an inflammatory speech the general gave the week before. On October 14, SFOR raided

a number of establishments in Mostar seeking information on alleged illegal activities. SFOR continues to investigate the evidence it collected during these operations. On October 15, Radio Mostar, which had broadcast calls for Bosnian Croat war veterans to mass during the operation the previous day, was suspended from operations for three months.

26. A complex set of circumstances in Drvar prompted action there. As Serbs returned to the town, tensions rose and the duly-elected Serb mayor was unable - through no fault of his own - to carry out his duties. The OSCE Head of Mission and I decertified the elections in Drvar on August 2. On September 16, we replaced the mayor with another leader from the Serb community; simultaneously, we replaced the Croat deputy mayor who had been a source of obstruction. Recognizing that the problem in Drvar reflected much broader political circumstances, on the same day I also removed from office the cantonal Minister of Justice and strongly warned the cantonal Minister of Interior that further moves to obstruct returns would lead to dismissal too.

27. In Sanski Most, my predecessor suspended SDA Mayor Alagic on July 20, pending an investigation into corruption charges. This remains a very difficult situation, as the acting Mayor must deal with a power structure not of his making and loyal to his predecessor.

28. Mostar remains in serious deadlock. The persistent refusal of the Croats and Bosniaks to work together at the cantonal level deadens any possibility of a functional city administration and embodies the general dysfunction seen in Federation structures.

29. In Canton Six, however, there was progress in filling vacant ministry seats, including the key positions of Minister and Deputy Minister of Interior, as well as deputy ministers in other ministries.

30. As the school year began in September, the education issue returned to the forefront. With more returns in the Federation, there are more minority communities that need to provide education for their children, who cannot or will not attend a local school run by another constituent people. This issue cuts across all constituent peoples. Many municipalities in the Federation have had to deal with this problem, and none of them has handled it well. We are working with international experts to try to solve this problem on a Federation-wide basis, but it will not be easy. There are serious issues here of right and of cultural identity, and a forced or rushed solution would be ill-advised. For the moment, we shall continue to support the right of minority peoples' schoolchildren to school premises, as the basic right to an education cannot await a broader political settlement of this issue.

REPUBLIKA SRPSKA

31. The Republika Srpska saw a number of important developments. The Brcko Final Annex was announced on August 18; there was increased pressure from the KCD coalition on SLOGA to participate in the RS government; Supreme Chief of the RS Armed Forces, General Talic, was arrested for alleged war crimes while at a conference in Vienna; and deposed RS president Poplasen tried but failed to dismiss the RS National Assembly.

32. Despite these events, and a generally unstable political situation, the Republika Srpska basically remained calm. The SLOGA government of Prime Minister Dodik, while nominally a caretaker regime, exercised full power and received significant budget support from the international community. While the SLOGA delegates in the state Parliamentary Assembly of Bosnia and Herzegovina remain as opposed to developing state institutions as their SDS and SRS colleagues, the SLOGA government has taken a decidedly cool attitude toward the Milosevic regime, clearly distancing itself from past radical notions of a "Greater Serbia."

33. Former RS president Poplasen in late August tried but failed to dissolve the RS National Assembly. Poplasen, a leader of the SRS, found support from his former allies, the SDS, fading quickly. Poplasen has gradually been forced to give up even the symbolic trappings of power - offices, phones, cars - and he and the SRS are increasingly isolated.

34. Vice President Sarovic, of the SDS, has hinted that he is wiling to assume the presidency of the RS. At this point, I do not believe that this would serve the interests of the RS, or of political stability in BiH in general. I shall continue to remind Sarovic and the SDS that they still have a way to go before they can expect the confidence and support of the international community.

35. Meanwhile, the OSCE Head of Mission, Ambassador Robert Barry, and I sent letters to the SRS and the SSRS (formerly the Serb Party of the Krajina and Posavina) on October 4. In those letters we outlined certain steps the two parties needed to take in order to certify themselves for the April 2000 municipal elections (those steps centered on changing the party officers who signed the election registration request). Both parties refused to accept this admonition and they consequently failed to meet the deadline of October 22 to take such action; as a result, they will not be allowed to participate in the April municipal elections. Both parties have promised to protest against this decision via "political means" that have yet to be outlined.

BRCKO

36. Following an extended period of consultation between the Presiding Arbitrator and interested parties, the Revised Annex to the Brcko Final Award was issued on 18 August 1999. This effectively draws to a close the process of arbitration over Brcko begun in 1995. The Final Award has created high expectations within the soon-to-be-

established (neutral) Brcko District boundaries, particularly in the Federation. NATO air strikes over neighbouring Yugoslavia delayed the Brcko Supervisor's plans to implement the Final Award for over four months because the Bosnian Serbs refused to cooperate while the air campaign continued. Encouragingly, however, since mid-summer there seems to have been a growing acceptance of the Award amongst the Bosnian Serb inhabitants of the municipality. For their part, Bosnian Serb political parties continue to be wary and grudging in their support.

37. Overall, the general atmosphere in Brcko has remained calm. The people seem more optimistic, if understandably apprehensive, now that the arbitration process is complete.

38. As elsewhere in BiH, however, a continuing two-way return programme remains vital to the successful outcome of the Award's implementation and the future stability of the District. Pressure is building among former non-Serb residents, especially among Bosniaks, who wish to see an immediate end to their long years away from their homes of origin in Brcko.

39. OHR focus in the current period has been to develop and produce the new District Statute and an Implementation Plan before the formal proclamation of the Brcko District of BiH which is expected within the next few months.

LEGAL ISSUES

40. Special Relations Agreement between Croatia and Federation of Bosnia and Herzegovina: Federation Parliamentary approval of the Special Relations Agreement was completed on 7 May, 1999 when the House of Peoples adopted this Agreement. Significant progress has been achieved on the development of the Annexes by both parties. The House of Representatives of the Federation adopted two of the annexes in its session October 19, namely the Annex on Implementation of Co-operation in the Fields of Science, Technology and Higher Education; and the Annex on Tourist Co-operation. Subsequent approval by the House of Peoples and ratification by the President of the Federation of BiH is needed before these annexes can enter into force.

41. Immigration and Asylum Law: The draft BiH Law on Immigration and Asylum was adopted by the BiH Council of Ministers and is now pending before the BiH House of Representatives. OHR is closely monitoring the parliamentary process in order to ensure that the submitted draft law remains consistent with the requirements of the Council of Europe.

42. Commission on Inter-Entity Legal Co-operation: Both the Federation of Bosnia and Herzegovina and the BiH Presidency have now appointed their members for the Commission. In order to resume the important work of this Commission, OHR continues to seek re-appointment of the previous RS representatives until the outstanding issue of the RS Presidency is solved.

43. Amnesty Law: At its session on 23 February, the RS National Assembly passed a Law on Amendments to the 1996 Law on Amnesty, bringing it into line with the Federation Law on Amnesty, and into compliance with the General Framework for Peace in BiH. That measure, however, was vetoed by the then President of RS, Nikola Poplasen. Thereafter, it was readopted at the Assembly session of 14 July and entered into force on 23 July.

44. Citizenship: Progress in the implementation of the BiH citizenship law was achieved when the "Commission to review the status of persons naturalized after 6 April 1992 and before the entry into force of the BiH Constitution" held its first meeting in Sarajevo on 21 September. All members were present, including six national and three international members. The next meeting is scheduled for 2-3 December. The Commission is expected to review the status of persons who were granted citizenship during the war and may withdraw citizenship in appropriate cases, unless the affected individual would thereby become stateless. The Federation draft Citizenship Law still has not been adopted by the Federation Parliament. After an intervention by OHR, the draft law has been scheduled for discussion in the Federation Government but without any result so far. The matter is urgent, since former SFRY citizens who have resided in BiH since 1997 will be eligible to apply for BiH citizenship by 1 January 2000. According to that schedule, it will not be possible to process applications for citizenship from such persons when they become eligible unless the law has been adopted by that time. The same concern exists in RS, although a proposed citizenship law there is expected to be adopted very soon.

45. Natural Resources Law: In my last statement, I indicated that the Federation water law, policy and management provide an unacceptable basis for the prevention of pollution and shortages. Water, being a key element of human existence, demands co-operation on the part of local authorities to ensure that the peoples of the Federation enjoy a secure and economical supply of clean, dependable water. Despite ample opportunity given to the Federation authorities, I have unfortunately observed little real commitment to reform in this sector. One of my main short-term targets, therefore, is to secure the co-operation of the Federation authorities on this important issue. In contrast, reform of the RS water sector, also closely coordinated by OHR, is proceeding satisfactorily towards EU-compliant standards. Regarding another key natural resource, OHR recently completed a draft Federation Forest Law which will guarantee the sustainability, and enhance the economic viability of the substantial timber wealth of the Federation. I continue to rely on the support of the international community for our efforts to achieve concrete steps in environmental law and policy.

46. Electoral Law Reform: The draft Election Law of BiH is very nearly ready for submission to the national Parliament. I shall do everything within my powers to support the adoption of the law by the Parliament as soon as possible. The main features of the draft are accountability, transparency and moderation in politics. It preserves the right of refugees and displaced persons to vote for their pre-war municipalities. It entails an open list system for all levels of government, in order to promote accountability in government by making the individuals, instead of a huge party structure, responsible to the electorate. In addition, it contains a Multi-Member

Constituency System for the election of the State and Entity Parliaments, which links the candidates geographically to their electorates. The draft also entails an Alternative Vote System for the Members of the Presidency of BiH and for the President and Vice President of RS. The objective is to encourage moderation, as the system forces the candidates to reach broader consensus on his or her candidacy. Finally, the draft law limits the number of public offices any one person can hold, limits the spending for electoral campaigning, and preserves the ban on paid political advertisement.

We shall be able to see the effect of the open list system at the local level in the municipal elections in April 2000. It is our further objective to secure adoption of the law in time for use in the general elections in October the same year. This ability to conduct its own elections under its own domestic legislation is an essential step toward a self-sustaining democracy in BiH.

47. Labour Law: The new Labour Law in the Federation is ready for adoption by the Federation Parliament. OHR and representatives of the international community have expressed their serious concerns about certain amendments which may be proposed to the original draft law which could seriously burden the emerging economy of BiH. On a related matter OHR, in close collaboration with the OECD and the PHARE programme of the European Union, will in the coming months submit to the State authorities a draft BiH Law on the Civil Service.

48. Drugs: In close collaboration with UNDCP, OHR will submit to the competent authorities in BiH draft legislation on the implementation of three key UN Drug Conventions.

49. Local Self-Government: The Sarajevo Canton has still not adopted a Law on the City of Sarajevo, which means that the capital of BiH and of the
Federation still does not exist as a city under the Constitution of the Federation, as required by the Sarajevo Protocol signed in March 1997 by the main political parties in the Federation. OHR has urged the Sarajevo Canton to give a high priority to the adoption of this Law.

50. The Constitutional Court of Bosnia and Herzegovina: Since my last Report, the Constitutional Court of BiH has held two sessions, on 13-14 August, and 24-25 September 1999. At the session held on 13-14 August, the Court decided that certain provisions of the Law on the Council of Ministers of BiH were unconstitutional. The Court established a period of three months during which the Law must be brought in line with the Constitution of BiH. At its session on 24-25 September, the Court decided cases initiated by individual applicants. In two of these, the Court found that decisions of the Entity courts violated the provisions of the European Convention for the Protection of Human Rights and Fundamental Freedoms. During both sessions, the Court referred to another pending case which concerns the adequacy of Entity Constitutions with regard to their classification of the constituent peoples of BiH. The next session of the Court is scheduled for 5 and 6 December 1999, when the Court is expected to establish its budget proposal for the year 2000. This proposal must be presented to the Presidency and the Parliamentary Assembly of BiH. The financial situation of the Court has improved somewhat since my last Report, because of an

increase in its budgetary allocation by the BiH Council of Ministers; however much greater improvement is essential. The Court is still forced to rely on financial support from OHR and the Phare programme. Germany and Sweden have also made much-needed donations to the Court, and France is expected to make a donation in the near future. Unfortunately, the international voluntary fund aimed, at supplementing the Court's budget as provided by the Madrid Declaration, has been so far insufficiently supported.

51. Privatization of Apartments: Certain Property laws in both Entites still need to be amended, all of which relate to claims and the enforcement of decisions concerning socially-owned apartments. By the end of this year the necessary drafts should be finalized.

52. Restitution: The proposed Federation BiH Law on Restitution will probably be adopted in the immediate future. A framework BiH Law on Restitution is currently in the drafting process.

53. Judicial Training Centers: Experts of the Council of Europe have given their comments on a draft Entity law on the Judicial Training Centre. After incorporation of these comments, the draft will proceed through the legislative processes. We expect the Centres themselves should to be established by the end of 2000. Meanwhile, a Memorandum of Understanding on the establishment of a Supervisory Council at the State level should be formulated.

54. Associations and Foundations: A co-ordinated package of State and Entity laws has been drafted by a working group consisting of experts of OHR, CoE, OSCE, LEA/LINK, USAID and ICNL. The package has been agreed within the working group and is under discussion with the relevant BiH and Entity ministries.

55. BiH Institutions: In June 1999, OHR issued an Advisory Legal Opinion on the appropriate legal status of more than twenty governmental and quasi-governmental bodies which existed during the pre-Dayton period. This Opinion includes suggested approaches to modernise the enabling legislation of these bodies where needed, and to re-establish them as institutions of BiH, of one or both of the Entities, or as non-governmental agencies, as appropriate. The Council of Ministers has convened a working group, in conjunction with OHR, to undertake implementation of these measures within the context of its legislative work plan for the coming year and beyond. The institutions affected range from the Public Health Institute to the Chamber of Commerce, and include, for example, the Employment Bureau, the Olympic Committee, the Association of Trade Unions, the Office of the Public Attorney and the Institute for Statistics. I place a high priority on the success of this project, because it touches on so many essential governmental functions.

56. BiH State Judiciary: OHR, in conjunction with the Venice Commission, is developing legislation to establish a court at the level of BiH which will be competent in specific areas related to the functions of the governmental apparatus of the State. These areas will initially include criminal cases prosecuted under the laws of the State and certain civil matters, as well as judicial review of State administrative action,

including electoral disputes. The legislation will also establish necessary bodies ancillary to the Court, such as the office of a public prosecutor.

57. Mostar Judiciary: Progress has been achieved in the establishment of a unified judicial system in the Mostar Canton. In particular, the highest courts and prosecutors' offices of the former Croat Republic of Herzeg-Bosna and the former Republic of BiH were dismantled, and, on 23 July a unified Cantonal Court and Cantonal Prosecutor's Office were officially established. OHR strongly supports the full implementation of these unified cantonal institutions.

HUMAN RIGHTS AND RULE OF LAW

58. General: Return assessment visits increased. Returns also increased and have notably included the first returns to hard-line eastern RS municipalities such as Pale. Although most returns have proceeded without incident, there have been some return-related incidents in a number of areas across the country. In Drvar (in the Federation), the Canton 10 Minister of Interior issued an instruction to all police stations to expel all returnees without ID cards. This was followed by a number of violent incidents. In Gacko and Kula in south eastern RS, incidents took place in September. In July, JSAP conducted an inspection of the Livno Municpal Prosecutor's Office, which covers Drvar, and concluded that the criminal justice system has consistently failed to apply fundamental judicial principles in both minority-related and other cases. At the same time, the Minister of Justice for Canton 10 was removed.

59. Rule of Law and Judicial Reform: he working groups in both entities responsible for proposing draft laws have completed their efforts to draft laws designed to establish an independent judiciary. While I am pleased with the progress achieved, I am keen to see the respective laws passed in the near future. OHR, which has coordinated and led the international community's participation in the development of these laws, will focus on ensuring that they come into effect and are implemented as promptly as possible.

60. The Federation Law on Judicial and Prosecutorial Service has been accepted by the Government and is pending action in the Parliament. In the RS, the Law on Courts and Court Service is currently under review by Council of Europe experts. When that review has been completed, and been made as appropriate, the law will be sent to the Government for submission to the National Assembly. Each of these laws will address the critical issues of judicial independence, including provisions for adequate salaries along with standards and procedures for dismissal.

61. I am also pleased to report that the comprehensive judicial reform strategy called for in the Madrid Document has been completed. It was presented to the Steering Board in July. This document, the "road map" for the international community's future efforts in judicial reform, will serve as a reflection of the dynamic process of advancing the Rule of Law throughout Bosnia and Herzegovina.

62. In August, laws imposed by my predecessor regarding the investigation and prosecution of serious crime in the Federation, including terrorism and organised crime, came into effect. These laws have enhanced the authority of the Federation prosecutor in prosecuting Federation level crimes and also, in appropriate cases, in directing and taking charge of prosecutions in Cantonal courts. The legislation also creates first instance jurisdiction at the Federation level for trials of Federation-level crimes. OHR is now emphasizing the need for prompt implementation of these laws and is taking the lead in bringing together those parties in Government whose co-operation is essential to achieve that goal. Council of Europe review of the Phase I revisions to the RS Criminal Code and Code of Criminal Procedure is near completion. When those comments have been considered by the international community, the revised version will be presented to the Government for submission to the National Assembly.

63. OHR continues its role of co-ordinating the various efforts of the international community to establish and maintain training programmes for prosecutors and judges as a means of expanding developments in the area of judicial and legal reform. A variety of implementing agencies remain involved in this part of the judicial reform portfolio. The Council of Europe has continued its focus on training legal students and professionals in matters relating to the European Convention on Human Rights. OSCE and the Swedish Prosecutor General's Office have begun to develop a training program that is expected to focus on basic skills for prosecutors. The US Department of Justice and the ABA/CEELI have proceeded with their yearlong training plan for judges, prosecutors, police and lawyers. Similar programmes that were previously initiated in RS, but and suspended during the spring, are now beginning to take place.

64. OHR's Human Rights/Rule of Law Department is actively assisting my Special Envoy in Brcko and his staff in their work towards implementation of the Brcko Award, especially on regard human rights and the District judiciary. Similarly, this department is assisting the attempts to reform the judicial system of the Herzegovina-Neretva Canton and the Central Zone of the City of Mostar to eliminate parallel structures within this troubled part of the Federation. In particular, OHR is focusing on assisting in the implementation of the imposed Law on Courts of the Herzegovina-Neretva Canton and the Law on the Court of the Central Zone of the City of Mostar. We must endure that the current momentum of reform continues.

65. War Crimes Trials in Domestic Courts: The re-trial of Ibrahim Djedovic is proceeding before the Sarajevo Cantonal Court. Several new witnesses called by the defendant have testified. However, the Prosecution has also produced additional evidence and witnesses, and is currently seeking to amend the charges, introducing rape into the proceedings. This is a surprising development since the charges has been amended three times in the initial case. The defendant has been detained since May 1997. Simultaneously the case is pending on a request initiated by the defendant to the Croatian authorities to allow a number of witnesses, who do not wish to appear in Sarajevo fearing arrest, to testify before a Croatian Court. It is unclear if and when this will happen.

66. Co-operation with the ICTY: In the period July 15 to October 15,, three Serbs were arrested and transferred to the ICTY. They are: Radoslav Brdjanin, arrested on 6 July in Banja Luka; Radomir Kovac, arrested on 2 August in Foca; and General Momir Talic, arrested on 25 August in Vienna. Although these arrests sparked verbal protests from various politicians they did not result in attacks on internationals as had been the case after the 9 January attempt to arrest a PIFWC in Foca, when he was shot dead by SFOR, and was subsequently attacked the iPTF station. OHR continues to assist the ICTY whenever possible.

67. Missing Persons and Exhumations: The ICRC-chaired Working Group on Missing Persons has been suspended for the last three months, but the ICRC continues to submit cases to the local authorities bilaterally. Under the Joint Exhumation Process, coordinated by OHR, the three local parties have worked at 420 sites so far this year, and 1,300 bodies have been exhumed. The rate at which victims of the Srebrenica massacre are being indentified has dramatically increased. Physicians for Human Rights and the Podrinje Identification Project have plans for an even more efficient identification process. These plans are already being put into effect.

68. Human Rights Institutions: Since my last report, improvements have been made in the implementation of the decisions of the Human Rights Chamber, recommendations of the Ombudsperson and decisions of the CRPC. Notably, legislation has been passed following an agreement between the government of the Federation and the OHR with respect to military apartments. In these cases, individuals who had purchased their apartments before the war had their contracts annulled by legislation without any form of compensation. Following hundreds of Chamber and Ombudsperson decisions, the Federation and OHR have agreed to legislative changes in the Federation to eliminate the associated human rights violations. Draft legislation for each of the Ombuds-institutions has been presented to the respective governments, and awaits adoption in each of the three parliaments.

69. The impartial and rigorous criminal investigation demanded by the Security Council and the Ombudsperson of Bosnia and Herzegovina into the events surrounding the Mostar incident of 10 February, 1997 has finally taken place. The investigation was carried out by local police officers under the supervision of UN IPTF and UNMIBH, and the report of the investigation has been transferred to the local prosecutor for action. The establishment of a new court structure in Canton 7 (Mostar) is slowing down the judicial phase of the investigation.

70. Continued difficulties are expected, however, in the implementation of the Institutions' recent decisions which require the eviction of current occupants of previously abandoned accommodation. In six of the eight Chamber decisions requiring the payment of compensation from the Federation, relatively large amounts of compensation have been paid. Orders for payment have been given by the Prime Minister to the Minister of Finance in the remaining cases. I remain deeply concerned, however, that the RS has not yet paid compensation in the three cases in which payment has been required. In addition, the RS has not complied with the order of the Human Rights Chamber to provide all available information on the Father Matanovic case involving the disappearance of a priest and his family near the end of the war. In

addition, the RS has not complied with the order in the Islamic community case of the Human Rights Chamber in which it must allow for the construction of enclosures and issue permits for the building of mosques in the RS. The deadline for compliance in this case has expired.

71. I remain concerned with the lack of State funding for the Annex 6 and 7 Institutions. Requests for an increase in funding have not yet been accepted by the State. The State has proposed an increase to an adequate level for the year 2000, but this has not yet become law. Continuing improvement in the co-operation between the government representatives (agents) to the Human Rights Institutions has been seen since the last reporting period, although funding and support by the RS for the office of its representative has been lacking.

72. Legislation implementing the decisions of the CRPC has been drafted. The entities have now agreed to the legislation, but these await adoption by their respective parliaments.

73. Property: On 1 July, I took a Decision to impose certain amendments to the Federation's *Law on Sale of Apartments with Occupancy Rights* for the purpose of implementing the decisions of the Human Rights Chamber concerning former Yugoslav National Army (JNA) apartments. This Decision should be adopted by the Federation Parliament in the regular legislative procedure in due course. My Office has held extensive consultations with the Entity Governments concerning needed changes in property legislation which will facilitate the return of refugees and displaced persons to their homes of origin. In addition to these needed legislative changes, I expect the Entity Governments, particularly in the RS, to continue to strengthen the legal and administrative framework for return. If this is not achieved, OHR may intervene further as required.

74. Effective implementation of property law is substantially higher in most parts of the Federation than in the RS. Nevertheless, progress on rendering decisions on property claims, with the possible exception of Sarajevo Canton, is stalling and local authorities are reluctant to carry out forced evictions, as required by law. In RS, property claims are not being processed in a timely manner and those claimants whose property rights have been confirmed are usually unable to take possession of their property. I expect both Entities to devote considerably more resources and political will to implement property law over the autumn of 1999.

75. Education: I remain cautiously optimistic that the implementation of the first phase of the textbook revision, which will remove all objectionable material from the textbooks, will have been completed by 1 October 1999, as it was agreed on 20 September. Several previous deadlines were missed in the course of September. Spot checks will now be carried out in elementary and secondary schools until the end of the year all over the country, in order to ascertain the level of compliance with the Textbook Review Agreement. This process has been delayed by the authorities by one full year and the first phase of the revision should be considered as an interim stage in the process leading to the production of textbooks which meet accepted European standards. Implementation of this agreement is a condition for accession of Bosnia

and Herzegovina to the Council of Europe, together with substantial progress in eradicating discrimination from the education system.

76. OHR continues to support the work of UNESCO, the Council of Europe, the World Bank, the European Union and others in their ongoing efforts to reform the education system at all levels through programmes addressing curricular reform, educational standards, governance and financing issues, capacity building in higher education, teacher training in human rights and citizenship education, political leadership, public administration and business law education.

77. OHR has also begun to organise a series of round tables on the issue of a joint/framework/co-ordinated curriculum to which were invited not only representatives from political parties but also representatives from civil society organisations such as: trade unions, teachers' associations, parent-teacher associations, student councils, youth organisations, religious bodies, and NGOs. The objective of these meetings is to show that the citizens of BiH support the reform of education in order to shape a brighter future for their children. The first such round table resulted in a broad consensus on the urgent need for some form of framework curriculum, which at this stage is totally rejected by the HDZ and the SDS.

78. Civil Society: Efforts continued to assist local NGOs in becoming more politically active. Local NGOs are proving increasingly willing and capable partners in supporting the return of refugees and displaced persons, now conducting increasingly ambitious efforts on their own initiative, though generally still requiring considerable international assistance. Some NGOs have contributed in the OSCE-led process of educating citizens about electoral systems and gathering their input for the new election law. After reception of substantive comments from the Council of Europe and the International Centre for not-for-Profit Laws (ICNL), OHR finalised efforts to present to the legislators in both Entities as well as at the State level, draft legislation on Associations and Foundations. Substantive comments received from the Council of Europe and the International Centre for not-for-Profit Laws (ICNL) were included. In parallel an ad hoc working group, consisting of representatives of local NGOs and the Ministry of Justice of the RS, discussed and finalised draft legislation in the same area thereby taking responsibility and ownership. The two processes are being coordinated by OHR.

79. Gender: Women throughout the south-eastern Europe signed an appeal demanding an equal and active role for women in developing and implementing the Stability Pact, presented in Sarajevo in July. The appeal listed a number of common problems faced by women throughout the entire region, including the under-representation of women in political decision-making (7% average in parliaments) as well as poverty and unemployment among women, which trigger human rights violations such as trafficking in women. The appeal demanded that these issues be urgently addressed, including ensuring that women become equal partners in all levels of development and implementation of the Stability Pact. The Special Coordinator of the European Union for the Stability Pact expressed his support.

80. The IPTF Commissioner issued on 30 August an Interim Directive to address

inadequate mechanisms of police raids against locations of believed prostitution and to stop illegal deportations of trafficked persons by local authorities. On 6 September, OHR and the Gender Co-ordinating Group held a meeting with representatives of the Ministries of Interior of both Entities, the Minister of Justice of the Federation and representatives from the BIH Ministry of Communication. The aim was to address comprehensively trafficking in persons, to increase government responsibility and to identify mechanisms of support by the international community. As a result, a detailed list of responsibilities and tasks of government authorities has been agreed upon, which includes agreement on issues such as the need of all political institutions of BiH to fight organised crime, the need to protect victims of forced prostitution and to improve the situation through new or amended legislation.

81. Social and Economic Rights: OHR remains highly concerned by the perpetuation of violations of economic and social rights, usually id the form of discriminatory practices. Such violations are often based on ethnic and political grounds and also frequently target returnees.

82. A major obstruction to the resolution of the issue of discrimination problem in employment remains the weakness of the rule of law, namely the non-application or abusive application of the law, and the paralysis of administrative and legal remedies which are either inaccessible, inefficient or subjected to political pressure. The economic circumstances are also conducive to the covering up of abuses and to impunity. However, a few significant steps were taken. In July, the Human Rights Chamber set a precedent by issuing its very first decision regarding discrimination in employment (Zahirovic v. BiH and FBiH). On the legislative side, a positive aspect of the new Federation Labour Law, adopted on 5 October, is the rather comprehensive anti-discrimination provision it contains. But it is obviously not sufficient in itself and will have to be supplemented and reinforced by various measures.

83. Concerning disability issues, in June, under the direction of the Co-ordination Group on Economic and Social Rights, OXFAM organised a meeting on the promotion and protection of the rights of disabled persons. This initiative was prompted off by the imminent adoption of the law on the basic rights of civilian victims of war and families with children, which establishes a distinction between the various categories of disabled persons, granting priority to war disabled persons over non-war disabled persons. Since then, a coalition of associations of disabled persons - the BiH Coalition for Equal Opportunities for Disabled Persons - was born and has been convening monthly in order to establish a solidly co-ordinated strategy for more efficient lobbying.

ECONOMIC REFORM AND RECONSTRUCTION

84. Border Crossings: On 6 August, the Border Crossing at Brgat-Ivanica (near Dubrovnik) was opened as a Category II international border crossing between Bosnia and Herzegovina and the Republic of Croatia. It opens an important transportation

artery necessary for economic prosperity in the region. Close links that previously existed in the energy, agriculture and tourism sectors could again be restored. In order to satisfy the great demand for traffic crossing the Sava River, a temporary pontoon bridge was opened on 12 August at Gradiska during the reconstruction of the fixed bridge. The reconstructed bridge is scheduled to be completed by the end of this year.

85. Border Treaty: On July 30, President Izetbegovic on behalf of the BiH Presidency, and President Tudjman signed the *Treaty on the State Border between Bosnia and Herzegovina and the Republic of Croatia* which defines the mutual border line of more than 1,000 kilometers between the two countries. This was a significant and historic event in the development of positive mutual relations between BiH and Croatia. Future activities of the Interstate Diplomatic Border Commission include the development of a Border Zone Regime Agreement which is expected to enhance the living conditions of people from both countries living in close proximity to the border.

86. Monetary aspects: The KM use continues to broaden and deepen in BiH. In Herzegovina, a region where the KM has faced strong resistance, the estimated currency use is: KM – 35 percent, DM – 50 percent, and Kuna – 12-15 percent. A few months ago, KM use was around 10-15 percent. In the RS, currency use is estimated at over 70 percent KM and less than 30 percent Yugoslav Dinar. Foreign reserve assets of the Central Bank of Bosnia and Herzegovina continue to increase satisfactorily. Foreign exchange assets stood at KM 398.8 million on 31 July, up from KM 287.7 million at the end of January: a 39 percent increase.

87. On 30 August, Volksbank from Slovenia began to buy the KM in their banking offices in Slovenia. This adds Slovenia to the group of countries where it is possible to buy and sell KM. It now comprises Austria, Croatia, Germany, Hungary, Switzerland and Slovenia.

88. Customs Developments: The situation is improving. On 15 May, the Federation of BiH and the RS finally complied with the Customs Tariff Law of BiH in full. The jurisdiction of customs tariff falls within the purview of the State. The State had adopted the law in February 1998; but it was only partially implemented due to opposition from the Entities. Preferential treatments for imports from Croatia to the Federation and from the FRY to the RS have also been eliminated. Since the implementation of the Customs Tariff Law of BiH, revenues from customs duties in 1999 have increased.

89. The focus in customs is now moving to enforcement. The Customs and Fiscal Assistance Office (CAFAO), a programme funded by the European Commission, is working with the Federation Customs Service and the RS Customs Service to establish Customs Enforcement Sections within each Service. All personnel have taken part in training provided by the CAFAO programme. CAFAO has also provided the Customs Services with all equipment necessary to support enforcement activities. There has been considerable success in detecting major customs fraud in the region. The introduction of additional and more appropriate legislation to deal with customs offenses and penalties is planned.

90. The Entity Customs Services have developed close co-operation in their efforts to eliminate illegal customs activities. CAFAO is assisting the Entities to establish formal co-operation on customs matters with BiH's trading partner countries' customs authorities, aimed at further minimizing opportunities for customs fraud in the region.

91. CAFAO is helping the customs authorities to introduce internal audit and management assurance functions, which are intended to satisfy the Customs Directors - as well as the Governments - that there is no misappropriation of funds or internal corruption. Customs authorities are only located in each of the 30 official Border Crossing Points in BiH, while there are many unofficial crossings that are not staffed by customs. The creation of a State Border Service together with the initiatives in customs enforcement will reduce the opportunities for smuggling and other forms of border crime. A 24-hour telephone Hotline to combat customs will operate soon.

92. Multilateral Balance of Payments and Budgetary Support to BiH: In May, the IMF Board of Directors agreed to an extension of the ongoing Stand-By Arrangement for BiH. On June 28, this Arrangement was increased by a further $23 million to assist BiH in dealing with the economic repercussions of the Kosovo crisis. (During the last quarterly report, this information was not fully available.) A tranche equivalent to $ 29 million was disbursed in June. The IMF Mission will review of Arrangement in October, and subject to a satisfactory evaluation of compliance with the targets and conditions of the Arrangement, further tranche of $8.8 million will be released.

93. The Directors of the Board of the World Bank approved two balance of payments support operations. The Second Public Finance Structural Adjustment Credit for US $72 million will focus on fiscal reforms in both the Federation and the RS and is to be disbursed in three tranches. The Enterprise and Bank Privatization Credit for US $50 million will focus on support for the country's privatization efforts and banking sector reform, and is to be disbursed in two tranches. The Public Finance Sector Adjustment Credit is expected to be declared effective soon, and the first tranche of $ 28 million will be disbursed shortly thereafter. The Enterprise and Bank Privatization Credit requires resolution of a few important issues before the credit can be declared effective.

94. Budgetary Support to the RS: Following, the adverse economic impact on the RS of the events in Kosovo, and an appeal by OHR for assistance during the Fifth Donors' Conference in May, the US Government offered $10 million for budgetary support to clear wages of public servants. Part of this aid (approximately $5 million) has been disbursed through OHR. Beneficiaries included the Ministry of Education (nearly 18,000), a large sector within the RS Government. A small part of the funds was also disbursed to the employees of the Ministry of Refugees.

95. Macroeconomic performance: The IMF Board of Directors commended the local authorities for progress in macroeconomic performance in 1998, particularly for keeping inflation low. They considered that this success stemmed from strict adherence to currency board rules, together with prudent fiscal policies. The Directors stressed that the authorities should refrain from undertaking new expenditure commitments beyond those contemplated in 1999 budgets and noted that political

difficulties continue to hinder policy implementation. They urged the authorities to improve the budgetary process, enhance transparency and include "off-budget expenditures" in the budget.

96. Focus on sustainable recovery: The World Bank's assistance strategy for enterprise and bank privatization for BiH will focus on moving from immediate postwar reconstruction to sustainable recovery and growth. The key objectives of this strategy are: (i) strengthening the institutions of macroeconomic management; (ii) initiating structural reform measures, particularly in privatization and banking reforms; and (iii) continuing with physical reconstruction of the country. The Enterprise Export Facility (BEEF; $12 million) will underpin financial sector reform by addressing the chronic shortage of funds in the BiH banking system and supporting banks of good quality. It will initiate and strengthen links between local banks and foreign banks based on genuine risk assumption by foreign banks, which is an important element of integrating the BiH banking system into the region. This project would rely on and reinforce reforms currently being implemented, particularly those that are supported under the Enterprise and Bank Privatization Adjustment Credit.

97. Reform of Public Utilities and Implementation of Annex 9: On 8 July, my predecessor chaired a meeting of the Commission on Public Corporations. The meeting was attended by the two Prime Ministers of the Entities and the Deputy Prime Minister of the Federation (who are now members of the Commission). The objective was to chart an agenda on the next steps. There was an agreement to form three working groups. The first group has started to examine the various problems linked to the activation of the Transportation Corporation (especially on roads and ports) and other the two are considering the advisability of creating Public Corporation for Post and Media transmission.

98. In the Energy Sector, technical experts from Norway have prepared State and Entity Electricity Laws. They are assisted by an expert team from both Ministries of Energy (Federation and RS). The final versions of the laws should be available by the end of 1999. Consultants have completed the first draft of the feasibility study to determine an optimal configuration of the BiH State Transmission Grid. The study will establish rehabilitation priorities and estimated costs to fund the World Bank's Power III Programme. The final report is expected in November. A grant Agreement was signed between the Joint Power Co-ordination Centre (JPCC) and the US Trade and Development Agency to fund a SCADA (Supervisory Control and Data Acquisition System) feasibility study. Thus will provide the specifications and related costs to implement SCADA in the JPCC. The same system will be implemented in all three Elektroprivreda Regional Control Centers. Estimated completion date of the feasibility study is March 2000.

99. In telecommunications, the Council of Ministers made on 9 September the final appointments (three full-time members and two of the three part-time members) to the Management Board of the Telecommunications Regulatory Agency. The first meeting of the Telecommunications Regulatory Agency took place on 16 September. The spirit of the meeting was positive and co-operative.

100. Although formal adoption of the numbering system for BiH is yet to occur, all parties have agreed to an implementation plan. Full implementation of this is expected in the next few months.

101. Both HPT Mostar and PTT BiH have completed and submitted their financial reviews as was required of them by the European Bank for Reconstruction and Development (EBRD) in the context a loan agreement from the EBRD. The reviews suggest that many anomalies and inappropriate accounting practices are present in the financial management of both companies. There will be changes to their accounting systems in accordance with the International Accounting Standards, and fully audited accounts should be available in 2000. This requirement is urgent in order to enhance accountability of public utilities. Telecom Srpska is in the process of selecting an auditor. Audits of the electric companies (Sarajevo, Mostar, and RS) have been completed. The results are not in strict accordance with international accounting standards but conformity is improving. OHR is closely following this issue.

102. At a recent meeting to discuss the advisability of establishing a Public Corporation, all parties agreed that the basic universal postal services (e.g. letter post/small parcels) should be offered to all citizens at the same price and service. Other postal services would be provided on a competitive commercial basis. At a recent meeting at the headquarters of the Universal Postal Union in Berne, the draft of the State Law for Posts was discussed. It was agreed that there would be a Bosnia and Herzegovina Union of Postal Operators. The terminal dues for the international traffic would be directed to the Union and distributed within the parties to that Union who provide the service. There is general agreement on the shape of the law and its text should be finalized promptly. Post between the entities continues without interruption.

103. Labour Market Developments: A Law on Labour – which was most needed - was recently passed in the Federation. Unfortunately, the Law contains a series of articles that are likely to jeopardize the privatization process and inhibit the development of a market economy. The most serious objection to the Law relates to compensation for employees on the waiting list and the payment to them of a severance indemnity, which (contrary to the conclusions of the Federation Forum held in May 1999), places an insurmountable burden on enterprises in the Federation (Article 143). OHR, together with other members of the Economic Task Force, continues to facilitate and seek resolution to this complex issue, through meetings and discussions with the various parties concerned.

104. Another issue of concern to the international community is the Law on Job Placement, Job Counselling, and Social Security of the Unemployed. In a country where the number of unemployed is very high, compared to those who receive a salary, the fiscal costs of the unemployment benefits are unacceptably high. The collection and utilization of payroll taxes for unemployment benefits at the cantonal level are another issue of concern. Furthermore, the Law appears too restrictive on employer's rights, and imposes unnecessary administrative burdens. These factors will undoubtedly inhibit the development of a flexible labour market.

105. In co-operation with the other members of the Economic Task Force, OHR will

continue to help the Federation Institutions to find appropriate solutions for the creation of a labour market that supports a market economy and sustainable economic growth.

106. Reform of Payment Bureau: The preparations for the elimination of the Payment Bureau is on track to meet the deadline of December 2000, as required the Madrid Declaration. OHR is a member of the International Advisory Group, led by the USAID. A number of amendments to the Law on the Internal Payment System were adopted in the Federation. These facilitate the abolition of the monopoly of the Payment Bureau over domestic financial transactions, and provide a legal basis for the governing board that will guarantee transparency in the transformation process. In the RS, these amendments were already adopted in an earlier stage. Both in the Federation and in the RS, members of the governing board were appointed.

107. All functions performed by the Payment Bureau have been identified, and a plan is designed for an orderly transformation process. A working agenda on the public education programmes to raise public awareness of the timetable and consequences of the transformation is currently being drawn up. A report addressing the aspects of employment transition for the employees of the Payment Bureau is under way and a financial verification of all their assets is about to start.

108. Privatization: The Privatization Monitoring Commission continues to advise OHR in an independent and unbiased manner. The Commission held its third meeting during the last week of July and issued recommendations in seven areas: voucher trading, voucher distribution to displaced persons and refugees, small-scale privatization, restitution, ownership title, joint ventures, and co-capitalization. OHR has reviewed the recommendations and asked the Prime Ministers of both Entities to implement them in order to make the privatization process more transparent, more attractive for investors, and less discriminatory for vulnerable groups of the population.

109. The competent authorities of both Entities have agreed to establish cross-Entity privatization offices, which would enable citizens who are eligible to vouchers in the other Entity to exercise their rights without going to offices located in that Entity. On 1 September, the Federation Privatization Agency established such an office in Banja Luka and the RS authorities are expected to follow suit on the territory of the Federation.

110. The authorities agree that there is a need for restitution of properties that were nationalized during the communist era. A draft State Framework Law on Restitution was submitted to the Council of Ministers in August. This covers the guidelines of the restitution process, and clarifies the matter of clear ownership titles in order to create a stable legal environment and support the privatization process. A working group comprising of the Council of Ministers and OHR is actively engaged in order to ensure a quick passage of the law. The Entity laws will determine detailed implementation procedures of the restitution process.

111. The sale of small-scale enterprises (opening balance sheets below KM 300,000)

has started in the RS. Seven companies were sold through public auction. These auctions are intended to to test the implemented legislation. Further companies will be sold through this method in the months ahead.

112. Anti-Corruption: At the September 22 Steering Board meeting in New York, I stressed that one of my top priorities would be to reinvigorate the international community's fight against fraud and corruption and to foster transparency at all levels of government. I announced at the meeting the formation of an Anti-Corruption and Transparency Group (ACT). The core goal of the ACT Group is to reinvigorate international anti-corruption efforts, utilize resources more effectively, and reinforce expeditious implementation of the international community's anti-corruption strategy. The ACT Group held its first meeting on 1 October. My focus will be on helping BiH's political leadership to assume responsibility for effective statecraft.

113. Meanwhile the Anti-Fraud Unit (AFU) of OHR continues its productive collaboration with police and prosecutors. Nine criminal charges involving fraud and corruption were filed against 28 individuals in Tuzla Canton; 62 cases are being tried in Sarajevo Canton; and 67 criminal reports were submitted to the judiciary in Travnik. I remain concerned that anti-corruption efforts are not going forward in places such as Livno, Mostar, Gorazde and Siroki Brijeg. The AFU will work with the Federation Prosecutor and try to advance judicial reform. The AFU has also worked with local authorities and international experts in drafting a new Procurement Law, Transparent Budget and Anti-Deficiency Law, and Money Laundering Law. In addition, the AFU contributes to the revision of the Criminal Procedural Codes in the RS and the Federation. To strengthen civil society, the AFU is facilitating the establishment of a national Transparency International Chapter.

114. On July 30, various laws and decisions were imposed by my predecessor. These included three laws to support the fight against corruption: the Law on Amendments to the Law on the Supreme Court of the Federation, the Law on Amendments to the Law on the Federation Prosecutor's Office, and the Law on Special Witness Identity Protection in Criminal Proceedings.

115. Reform of Pension System: In the broader framework of fiscal policy reforms, OHR is actively involved in the reform of the pension system. However, before addressing the issue of harmonizing the Entity laws on pension and supporting the development of a modern pension system for the entire BiH, the current priority is the organization of the pension funds in the Federation. This has been a contentious area since Croats and Bosniaks have maintained their own parallel accounts. In the context of ending parallel institutions, the passing of the appropriate legislation would provide the merging of the Mostar (Croat) and Sarajevo (Bosniak) pension funds, which have been sharply divided along ethnic lines. Recently, the Federation Government approved a law to merge the two funds. It is pending the approval of the Federation Parliaments. Unification of the two Federation pension funds forms a condition of the World Bank's credit programme. Merging of the two Federation funds will reinforce accountability, enhance administrative efficiency, and offer scope for the development of a sustainable and equitable pension system in the Entity. In the meantime, both Entities are engaged in the development of a transparent management of the pension system.

116. Herzegovina financial structures: Noticeable progress has been achieved in removing parallel financial structures in the Mostar and Livno areas. On October 1, the Herzegovina-Neretva Canton established a single account thereby allowing the Canton to operate from a unified and transparent revenue base. In the Serb return area of Bosansko Grahovo, the Canton 10 government agreed to close the municipality commission account and allow the official municipal account to operate without restrictions. This is significant as it allows the Serb municipal leadership to operate from its own budget within a Croat-majority Canton.

117. Agriculture and Rural Development: OHR assisted the FAO and both Entity Ministries of Agriculture during the final consultation process for the Agriculture Sector Strategy, prepared by the FAO. OHR is seeking a strong commitment from both Entities to implement the Strategy, which aims to shift the principles of the agriculture sector to a market economy. It continues to support the agriculture sector's role in rural development, which plays a vital role in the return of refugees. OHR is also taking part in discussions relating to food control (e.g. veterinary).

118. Chambers of Commerce: With a view to reinforcing a single economic space, harmonizing Entity policies and achieving international representation, OHR has been helping and supporting the restructuring of the BiH Chamber of Commerce. Pending the approval of the relevant law, a draft Decision agreed to by all relevant parties should be adopted by the Council of Ministers.

119. Statistics: Development of and access to reliable and comprehensive statistical data are fundamental for sound economic development in BiH. OHR continues to monitor and assist the activities of the BiH Statistics Institute. Publication of Statistical Bulletins containing aggregate data in different domains, at the State level, is now regular. Donors' aid is currently being disbursed to assure an adequate development of statistical activities within BiH according to western standards. Finally, the Institute has achieved full international representation.

RETURNS

120. Minority return movements have taken place throughout BiH in significantly greater numbers than were registered during the same period last year. Even notoriously difficult areas, such as the eastern RS, Stolac, Capljina and Bugojno are now opening up to return. Other noteworthy breakthroughs include the first Serb returns to Mostar's old town and the first Bosniak returns to Srebrenica, the latter unimaginable only six months ago.

121. Sarajevo remains indicative of what can be accomplished when political will

exists. Minority returns are taking place throughout the Canton and the property laws are being implemented at a faster pace than elsewhere in the country despite the fact that Sarajevo Canton has yet to provide adequate resources to its housing office to operate effectively.

122. As regards security, the 1999 return season has been peaceful considering the large volume of movements. Returns and assessment visits have proceeded largely without incident to areas that were previously very contentious, including Prijedor - where several SFOR operations have taken place during recent months against persons indicted for war crimes; also Drvar, Bugojno, Plehan, and Zvornik. Minority police recruitment continues apace and without major problems.

123. These positive trends notwithstanding, organised political resistance to return continues throughout the country. Despite an improved tone in public rhetoric at the state and entity level, the SDA, the HDZ, and the SDS and SRS at the local level continue to obstruct return through various tactics ranging from delays in issuing personal documents to outright violence. International monitoring, brokering, and pressure are still essential ingredients of the minority return process in Bosnia and Herzegovina, with the RRTF network playing a key co-ordinating role.

124. Another factor slowing down minority return is the decline and delays in donor funding in 1999. A significant proportion of the reconstruction funds, planned one year ago, have not yet arrived. Unless accelerated disbursement procedures are put in place the housing and/or essential infrastructure needs of nearly 6,000 returnee families will not be met this year. We are already seeing a reversal of spontaneous returns in some areas, including Drvar, where returnees, who have waited for assistance for months after their initial return, cannot see through the winter and are forced to return to their war-time place of refuge.

125. Limited flexibility in donor funding has also made it very difficult for the international community to shift around resources to support these and other spontaneous returns through the winter. To solicit funding and raise awareness about this problem, I took a number of my fellow Ambassadors to visit key spontaneous returns areas, jointly with COMSFOR. Thankfully, additional funding has been made available as a result of this trip from - among others - the United States, the United Kingdom, the Netherlands, Norway, and Switzerland.

126. Implementation of property legislation remains the key to returns to urban areas. The lives of some 500,000 displaced persons are held up by their inability to repossess their apartments in towns and cities. While evictions related to illegal and multiple occupancy are on the increase in places such as Sarajevo, Bijeljina, and Tuzla, only 6.5% of the claims for repossession of property submitted in the Federation and 1.6% of the claims in the RS had been successfully resolved by July this year. This is unacceptable and reflects obstruction by the authorities at all levels of government. To ensure decisive progress, I have been forced to impose key changes to the property laws in both entities. These changes aim to harmonise the laws in the two entities and remove all remaining grey areas and loopholes, thus also removing all remaining excuses of the authorities for lack of implementation.

127. Following successful return there are still problems of administrative reintegration, such as re-connection to basic utilities, the provision of ID cards, access to documentation, and social services. The July 30, 1999 Decisions on identity cards and telephone reconnection will alleviate some of these problems. It is high time that the authorities take up their responsibilities under Annex 7 and under BiH law and start to look after their citizens without discrimination.

128. Return of the displaced within BiH remains inextricably linked to refugee movements elsewhere in the Balkans, and particularly Croatia and FRY. I intend to use the momentum of the Stability Pact to make progress here. Croatian Serbs in RS, many of whom would like to return to Croatia and whose movement would free badly needed space in Banja Luka for Bosniak return, remain my particular concern. However, the procedure for return to Croatia remains bureaucratically cumbersome and drastic improvement is required to allow genuine freedom of movement for would-be returnees to travel to and from their homes of origin in order to make an informed decision about return. The Croatian consular office in Banja Luka has improved its opening hours, but the Government of Croatia still needs to extend its consular services in the full to Croatian Serb refugees in BiH/RS.

129. More active involvement of BiH authorities in assisting voluntary repatriation of Croatian Serb refugees to Croatia is also needed. Currently, neither the State level Ministry for Civil Affairs and Communications nor RS Ministry for Refugees and Displaced Persons has taken proactive steps to resolve the matter.

MEDIA

130. In response to the continued failure of the authorities to address deficiencies in the advancement of freedom of expression in BiH I provisionally brought into force a series of legislative and other measures. Under the powers vested in me under Annex 10 of the GFAP, I issued on 30 July a Decision on Restructuring the Public Broadcasting System in BiH. These measures are designed to bring Public Broadcasting into line with the GFAP, the commitments of the parties, the exhortations of the PIC and international standards in general. The Decision establishes a legal framework for public radio and television that will serve the needs of all citizens in line with the Dayton Peace Agreement and best European practice. It creates a new Public Broadcasting Service (PBS) that will provide news programmeming to the whole of BiH based on the resources and mutual interests of the Federation and RS networks. Together with the BiH Presidency, I appointed an executive board that will manage the service until more comprehensive legislation is adopted. The new PBS will succeed the existing RTV BiH as a member in international organisations. A team of experts will review the distribution of the property of RTV BiH over a designated period.

131. In accordance with this Decision the PBS Board was constituted and has already

met on a number of occasions. At its first meeting the Board noted its mandate which describes the Founding Board as the final authority over the current RTV BiH. It succeeds the former Interim Board of Governors in that role. The mandate calls on the Board to oversee the launch of the new PBS as well as the new Federation TV and to appoint management and programme positions for the PBS. The Board has already agreed promptly a work programme for the coming months which includes: a comprehensive review of finances at the existing RTV BiH and the other Entity TVs; preparation of a budget in co-ordination with the Entity public Radio-TVs; an engineering plan; a programmeme content policy; application for membership in the EBU and other international associations; a personnel policy and recruitment plan that will respect ethnic equality; preparation of a draft law on the PBS to be submitted to the Council of Ministers by 1 January 2000. PBS Board members also met recently with the Federation leadership to discuss the financial situation of RTV BiH. The Board announced its decision not to allow further debts to be incurred by RTV BiH. It also warned that it would have to take austerity measures if government funding assistance was not forthcoming.

132. As part of the 30 July Decision, I also imposed the Law on the Radio-Television of the Federation of BiH (RTV FBH). The version imposed is based on the law forwarded by the Federation Government. I have added certain amendments taking into account the new statewide service and the need for international supervision. We are currently waiting for the Federation Parliament to name seven members of the 21 member Federation Television Council.

133. The Decision also requires that HRT puts its operations in BiH on a legal footing, and in a manner that will enable the establishment of RTV FBH. In accordance with this, and with our aspiration to ensure that the Croat constituent people in BiH are fully enfranchised in public broadcasting, we are in the final stages of trying to secure an agreement with Croat authorities. This agreement would ensure that HRT broadcasts at a reduced level and in strict adherence with international copyright laws and the standards laid down in the IMC code of conduct. At the same time a productive relationship between HRT and RTV FBH would be fostered that would assist the development of the domestic TV industry, so long hampered by its large and predatory neighbour, HRT. OHR is continuing to do everything in its power to avoid the need for direct action. However, should the negotiations fail, I am prepared to support the legally constituted process of the appropriate regulatory body, the IMC, in order to provide a politically independent, accountable and transparently funded broadcasting service.

134. A Decision on Freedom of Information and Decriminalisation of Libel and Defamation which seeks to ensure full respect for the constitutional right of Freedom of Expression, promote media freedom and allow citizens access to information about the work of governmental bodies was also issued on 30 July. It suspends the sanction of imprisonment for Libel and Defamation provisions in the Criminal Codes of both Entities. The Decision requires that by the end of 1999, authorities in both Entities adopt new legislation that treat Libel and Defamation as civil offences. The current provisions have posed a threat to journalistic inquiry. In addition, I require that by the end of 1999 the State and Entities adopt, or amend, existing legislation upholding the

principle of Freedom of Information. Such legislation will provide the citizens of BiH the right to gain access to information about the activities of governmental bodies except for narrowly defined categories. In co-operation with the OSCE mission in BiH, OHR stands ready to provide guidance in the drafting process. In this regard we have initiated and shall oversee the formation of an Advisory Group comprised of government representatives and international and national experts that will conduct consultations with citizens, civic groups, human rights organisations and journalists. I have asked the Entity governments to offer nominations for three members of the Advisory Group, each representing one of the constituent peoples.

135. On 31 August I issued a further interim Decision to ensure that radio-television funded with public funds served the interests of the citizens of RS without political bias or interference. The Decision introduces amendments to the law on the public radio-television of RS that remove the most serious violations of European standards and bring it into line with the Interim Arrangements which should have been adopted in February 1998. The amendments uphold the principles of editorial independence, financial transparency and cultural pluralism. Under these changes, the Entity broadcaster has been renamed as Radio-Television Republika Srpska (RTRS). I view this Decision as an interim step and wish to see the RS National Assembly address this issue. Despite previous appeals, the Assembly has failed to introduce legal clarity on this matter for the past 18 months. The Decision requires the RS National Assembly to adopt a new, comprehensive law for the Entity public broadcaster by the end of February 2000. The tenure of the current Board of Governors of RTRS will expire at the same time.

136. The Independent Media Commission's achievements in its first year of establishment, summarised in previous reports to the UN, have now been detailed in the first annual report which was released in August. The IMC now intends to build and capitalise on these successes. In October the IMC Council adopted the documents outlining the Phase II licensing criteria that will, among other things, define public and private media houses. In early November, the Phase II licensing process will officially begin, with the first licenses being issued sometime in mid January 2000. The long-term licenses will last for two or five years. In October, the IMC also prepared a draft document outlining its transition and transfer strategy that will facilitate an expeditious hand over to local management. Limited international involvement will be required until specific benchmarks are met and the international element can be fully withdrawn some time in the future.

137. The OHR Public Service Information Campaign (PSIC) team is working together with other international organisations to coordinate all media campaigns. An anti-corruption public awareness campaign is due to begin in the next month. The main aim of this campaign will be to change how the citizenry, especially young people, understand corruption and fraud, and how they think about their government and its responsibility in these matters. The PSIC team is also co-ordinating an inter-agency approach to placement costs for campaign products on BiH media. It has also begun work on the creation of a joint television research database with which international agencies and commercial clients will be able to build a much clearer picture of the broadcast markets in BiH.

138. At the end of September the Open Broadcast Network (OBN) introduced its new look. An updated schedule was presented together with a fresh logo. The modern new image was designed by a local BiH agency working closely with the OBN management. Members of the OBN International Board appointed at the beginning of the year have already brought a wealth of broadcasting experience and new contacts to the OBN. OBN's main problem is still one of healthy cash flow - a problem caused by overdue and irregular donations.

139. Following the New York Steering Board we were asked to look at the development of the Internet with special reference to education and information. The long-term benefits of the Internet in providing alternative sources of independent information and stimulating the market economy are obvious. In this context, the development of Internet access for BiH households and schools should be a building block to expose the people, the young in particular, to new thinking and new standards.

MILITARY MATTERS

140. As part of the Train and Equip programme, a combat training centre is being developed for the Federation Army in the Livno/Glamoc area, where live fire and movement training can be done. However development of the range has required the legal expropriation of houses and land abandoned during the war. Despite pressure from the international community, the Federation MoD had failed to make progress with this essential pre-condition. OHR, in conjunction with OSCE,UNHCR and SFOR, has pressed this issue, so that there has been some movement in the past month, and it is hoped that owners of the land may soon be properly compensated.

141. De-mining: The Board of Donors (BoDs) has now completed the outside review of the de-mining infrastructure in BiH advised in the last report. The review, which was presented to the BoDs in September, reported that the fundamental structures were sound, and that de-mining was effective, but recommended a number of refinements to improve effectiveness, even further. The recommendations are currently being staffed with a view to implementing changes in the next few weeks, in good time for the next de-mining season.

142. This review has not, however, slowed down progress on de-mining. There are still some 750,000 mines unaccounted for in BiH. The dangerous work of finding and lifting mines goes on and, in the Federation alone, over 1.9 million square metres have been cleared since the date of OHR's last report. However, this is a long-term commitment, and even if the current level of funding were maintained, it would take 25 to 30 years to clear most minefields.

143. Standing Committee on Military Matters (SCMM): Since the last report the SCMM has made slow but visible progress. The SCMM Secretariat now meets daily;

the SCMM Military Assistants to the Presidency meet with the secretariat staff once a week to monitor progress and to give direction, an essential step as the culture of the members of the secretariat discourages initiative and relies on specific direction from above. While some obstructionism has been noted in the progress, work is now building, and there are signs that the system can be made.

144. Two of the key issues to be dealt with are planning for Entity Armed Force reductions of 15% for this year with further reductions next year, and a common security policy (CSP). Both issues are being dealt with by working groups reporting to the SCMM. Progress on reductions appears remarkably positive; while progress on the more intractable problem of a CSP is inevitably slower, an effort made.

145. Civil Aviation: Control of Upper Air Space is currently the most pressing issue in civil aviation normalization. In September a summit of BiH and international authorities discussed normalization of the Air Navigation System in the Balkan Area. The summit agreed on the need for normalization of air space through the designation of route alignments through BiH airspace. These routes will allow BiH to obtain overflight fees for the purpose of installing and upgrading air traffic control facilities. Routes must be published by 2 December 1999 with an implementation date of 27 January 2000. There is co-ordination between air traffic control service providers and the BiH aviation authorities. The BiH Civil Aviation authorities are also pursuing membership in the Central European Air Traffic System.

146. Two other civil aviation developments are worthy of note. First, the BiH National Government signed an agreement with the two entities in October which implements the civil aviation law and allocates duties and responsibilities to the two entities. This process is a major step forward towards normalization of civil aviation. Finally, Mostar airport has become financially viable, and control of the airport was transferred to local authorities in September.